

PSERS POSTS FIRST QUARTER INVESTMENT PERFORMANCE -

EMPLOYER CONTRIBUTION RATE *FY2005/2006*

Pension fund posts gain for the first quarter of FY 2004/2005

(December 15, 2004)

HARRISBURG, PA The Pennsylvania Public School Employees Retirement System (PSERS) today reported positive investment returns for the Fiscal Year 2004/2005 first-quarter ending September 30, 2004.

The pension funds return on investments was 0.85 percent for the first fiscal quarter and 15.34 percent for the one-year period ending September 30, 2004 while the Funds net assets grew to approximately \$48 billion.

PSERS Chair and State Treasurer Barbara Hafer recognized the Funds performance. I am extremely pleased to have served as PSERS Chair for the past 5 years and to have had the opportunity to work with so many talented staff and fellow dedicated Board members. PSERS, like so many investors across the nation, has weathered stormy investment markets and a down economy over the past few years. As my term on PSERS Board expires I am pleased to see the long-term vision of PSERS Board and staff continue to generate positive investment returns for the Fund.

PSERS Chief Investment Officer Alan Van Noord commented on the pension funds investment performance. The first fiscal quarter ending September 30th proved to be a challenging period in the investment markets, Van Noord said. PSERS quarterly return was 0.85 percent and although this was a relatively small positive investment return, PSERS performed extremely well in comparison with other large public pension funds.

PSERS fiscal first quarter investment performance was in the top quartile and its one-year investment performance was in the top decile of the best performing funds in Wilshires Database for that time frame, Van Noord reported. More recently the equity markets continued to rebound and the Fund is currently experiencing excellent investment returns so far in the fiscal second quarter, said Van Noord. While geo-political uncertainties and lack of job growth continue to cause great volatility in the stock market, PSERS continues to focus on the long-term and maximizing returns. I am hopeful the Fund will continue to have good news to report during the next quarter.

PSERS international equity portfolio earned 1.31 percent for the first quarter and 22.52 percent for the one-year ending September 30, 2004 compared to the Morgan Stanley Capital International All Country World Index excluding U.S., which returned 1.01 percent and 23.14 percent for the same time frame. PSERS domestic equity portfolio returns for the first quarter were -1.84 percent and 15.18 percent for the one-year ending September 30, 2004 as compared to the Dow Jones Wilshire 5000, which returned -1.84 percent and 14.76 percent for the same time frame. PSERS private equity/private debt/venture capital returns were 3.32 percent for the first quarter and 18.94 percent for the one-year period ending September 30, 2004.

Also during the recent Board meeting PSERS actuarial firm, Mellon Human Resources & Investor Solutions, presented their actuarial evaluation of the pension fund. An employer contribution rate of 4.69 percent was certified for the 2005/2006 fiscal year, which begins July 1, 2005.

The employer contribution rate is an actuarially determined rate that is the percentage of payroll the school districts are required to pay into the pension fund to accumulate assets to pay retirement benefits for its members when due. The Commonwealth reimburses the school districts for approximately half of the employer contribution rate.

About the Pennsylvania Public School Employees Retirement System

PSERS is the 14th largest public pension fund in the nation and the 21st largest among public and corporate pension funds in the nation. As of September 30, 2004, PSERS had approximately \$48 billion in assets and a membership of more than 248,000 active school employees and 150,000 retirees. For more detailed investment performance information visit PSERS website at www.psers.state.pa.us.

As of September 30, 2004, PSERS had 43.2 percent of its assets in Domestic stocks; 18.4 percent in International stocks; 19.8 percent in Domestic and International Fixed Income investments; 9.8 percent in Alternative Investments; 7.0 percent in Real Estate and 1.8 percent in cash and cash equivalents.

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